

**STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
DIVISION OF GENERAL SERVICES
PROPERTY MANAGEMENT OFFICE**

**PHYSICAL INVENTORY
PROCEDURES GUIDE**

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This guide is a publication of the Property Management Office. It is intended for Departmental Property Officers, Property Custodians, and others responsible for property within the departments of the state's Executive Branch. This guide does not supersede or replace any statutory or regulatory guidelines or authorities established by the State of Alaska, or policies and procedures as implemented by the Director of Division of General Services, or the Commissioner of Department of Administration.

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Table of Contents

Purpose	Page 5
Authority	Page 5
Applicability	Page 5
Three Major Types of Physical Inventories	Page 5
<i>As Required</i>	Page 5
<i>Cyclic</i>	Page 5
<i>Annual</i>	Page 6
Reasons for Conducting a Physical Inventory	Page 6
Adding Property to the Property Control System	Page 6
Cyclic Inventory Procedures	Page 7
Annual Inventory Procedures	Page 10
After the Inventory	Page 14
<i>Excess Items</i>	Page 14
<i>Damaged or Missing Items</i>	Page 15

<i>Physical Security</i>	Page 15
Property Management Office Points of Contact	Page 16
Where to Obtain Property Forms and Property Control Number Decals	Page 17
<i>Property Forms</i>	Page 17
<i>Property Control Number Decals</i>	Page 18

Purpose

This document provides a step-by-step guide to accomplishing a physical inventory. Periodic physical inventories are a component of good stewardship of public funds and assets and are required by state Statute. In some instances, alternative procedures may be necessary based upon unique circumstances within a department or agency. If so, any alternative procedures must be submitted in writing to the Property Manager for approval.

Authority

The Department of Administration derives its authority to direct physical inventories from Alaska State Statute 37.05.160. It applies this statutory authority through the Division of General Services Property Management Program. The State's Property Manager is tasked with the day-to-day conduct of the program.

Applicability

These procedures apply to property assets, among State of Alaska Executive Branch departments and agencies, with a value of \$5,000.00 or more, considered a sensitive item, or are on loan to the state, leased, or rented. Procedures regarding State Equipment Fleet-specific assets and telecommunication specific assets are addressed separately.

Three Major Types of Physical Inventories

There are three major types of physical inventories: As Required, Cyclic, and Annual. All three of these inventory types deal with not only the physical counting of items, but are also used to record the item's physical location and condition.

As Required

As Required inventories are usually conducted by direction of the State's Property Manager or a Department Property Officer. An "As Required" inventory is just that; it is not normally scheduled and is generally conducted in response to a given situation or loss. As Required inventories are limited in scope and are often conducted when a change in Property Custodian, or responsible hand receipt holder occurs.

Cyclic

Cyclic inventories are a type of periodic inventory. They are conducted monthly, quarterly, or semi-annually, in place of an annual inventory. When using a cyclic inventory method, the Department Property Officer notifies the Property Custodian as to which specific items to inventory in a given period. The objective of this type of

inventory is to have a one-hundred percent inventory of all items completed within twelve months from the completion date of the previous one-hundred percent accountability inventory. In most cases, the state requires an annual inventory, but this may not be practical for all departments. Cyclic inventories may be a better alternative. See “Cyclic Inventory Procedures” for details on how to conduct a cyclic inventory.

Note: Because cyclic inventories only address a portion of a department’s total inventory at a given time, new or unlisted items within a department might get overlooked. For this reason, Department Property Officer’s and Property Custodians must take special care to ensure that property is added to their departments inventory in accordance with established requirements and procedures.

Annual

Annual inventories are conducted during a specified time and involve a one-hundred percent inventory of all items within a department. Annual inventories require a greater time resource and more coordination than cyclic inventories, but have less total disruptions on operations because they occur only once each year. Annual inventories must be completed within twelve months from the completion date of the previous one-hundred percent accountability inventory. See “Annual Inventory Procedures” for details on how to conduct an annual inventory.

Reasons for Conducting a Physical Inventory

There are four important reasons why a department conducts a physical inventory:

- To verify or ascertain the physical count, condition, and location of an inventory property item and to ensure that it is properly documented;
- To identify, document, and add items to its inventory that are on-hand and meet qualifying criteria, but are not currently shown as part of the inventory;
- To ensure that legitimately transferred or disposed of items are no longer carried on the inventory;
- To identify any missing or damaged items that need to be located, repaired, or replaced.

Adding Property to the Property Control System

Department Property Officer’s and Property Custodians must ensure that all property items become part of their department inventory. Property meeting the following criteria must be loaded into the Property Control System:

- Non-consumable property and equipment valued at \$5,000.00 or more, FOB final destination, regardless of the funding source or means of acquisition.
- Sensitive items - These items are listed on the sensitive item class codes list (available on the State of Alaska, Division of General Services, Property website) and maintained in the Property Control System.
- Lease purchase or installment purchase equipment or long term rental equipment and supplies on loan for contractor or grantee use.

Cyclic Inventory Procedures

The Property Manager has authorized Department Property Officer's to conduct cyclic inventories. If a Department Property Officer decides to schedule and conduct cyclic inventories in lieu of a single annual inventory, the Department Property Officer must give the Property Manager prior written notice of that decision. The Department Property Officer must ensure that the inventory schedule concludes within one year of the first cyclic inventory start date. The Department Property Officer's written notification must contain the following:

- A statement as to why an annual inventory is not appropriate for that department;
- The type of cyclic inventory to be used: monthly, quarterly, or semi-annually;
- A complete cyclic inventory schedule;
- Appropriate contact information: Name, office, title, phone number, fax number, and email.

The Cyclic Inventory procedures are as follows:

1. The Department Property Officer notifies Property Custodians of the date of the cyclic inventory, the items to be inventoried, and the procedures that will be used;
2. The Department Property Officer provides an inventory printout for the items to be inventoried to each respective Property Custodian;
3. The Property Custodians make arrangements with their respective sections to ensure that all identified items are available to be inventoried as scheduled;
4. The Property Custodians check each item against the inventory list.

- 4.1 Property Custodians will look for the item's Property Control Number, or manufacturer's serial number. The Property Control Number and/or serial number of each property item will be compared against the inventory listing. Property Control Numbers and serial numbers of property items must match the Property Control Numbers and serial numbers listed in the Property Control System. When an item does not have a Property Control Number, often it will be listed by serial number. If the property item's identifying numbers match, place a check mark beside the item on the inventory list. Note any changes to condition or serviceability (broken, missing parts, damaged, etc.) of property items inventoried.
- 4.2 If the item is not identified on the inventory list, note what the item is, its Property Control Number, serial number, make, model, general condition, and location. You will have to check later to see if it is a loaned or newly acquired item. It may also be a component of a set and the set was listed as a different item.
- 4.3 The Property Custodian may find an item that does not have a Property Control Number decal or etching, but he/she thinks that it should. The Property Custodian simply enters the item on the inventory list with complete description and annotates "Property Control Number Required." The Department Property Officer will determine whether or not the item requires a Property Control Number.
- 4.4 If the item cannot be found, enter "Missing" beside the item on the inventory list. Check with the responsible individual to see if the item was transferred or turned in. Later you will need to do a search for the item.
- 4.5 Move to the next item on the list and repeat the process. Continue this procedure until all items on the list have been inventoried.

Note: Property Custodians should complete a hand receipt for assigned property down to the primary user's level.

5. Once the physical inventory is completed, the Property Custodian must report any changes. A memorandum is used to report any inventory changes to the Department Property Officer, such as, additions, deletions, damaged, or missing items. The memorandum must include the following information:
 - Date of Inventory
 - Name of Responsible Individual
 - Type of Inventory: Cyclic

- Copy of annotated inventory listing
 - For each item reported:
 - Type Change (Addition, Deletion, Damaged, Missing, etc.)
 - Item Name
 - PCN (if none, state “none”)
 - Serial Number (if none, state “none”)
 - Make & Model
 - Location
 - Condition: (Z) unknown, (X) scrap, (S) salvage, (P) poor, (G) good, (E) excellent, (N) new
 - Date of Purchase (for newly procured items)
 - Value (for newly procured items)
6. If the inventory is completed and no changes are necessary (one-hundred percent accountability achieved), the Property Custodian forwards a memorandum to the Department Property Officer that contains the following:
- Date of Inventory
 - Type of Inventory: Cyclic
 - Result: 100%
 - Changes: None.
7. If there are any missing or damaged items, the Property Custodian must initiate a Form 02-627 Lost-Stolen-Damaged Property Review.
8. The Department Property Officer reviews the inventory change memorandum.
- 8.1 The Department Property Officer checks to see if all items on the inventory listing have been annotated.
- 8.2 If the phrase “Property Control Number Required” appears on the listing, the Department Property Officer determines if the item(s) require Property Control Number decals and responds accordingly.
- 8.3 The Department Property Officer ensures that all changes are entered into the departments inventory as required.

9. The Department Property Officer notes any missing or damaged items and ensures that the Property Custodian has initiated a Form 02-627 Lost-Stolen-Damaged Property Review.
- 9.1 The Department Property Officer retains the inventory change memorandum and copy of annotated inventory listing, and forwards a copy to the Property Custodian, and e-mails a copy to the Property Manager. The Department Property Officer also provides a copy of the final inventory results to each respective Division Director.
10. The Property Manager reviews the completed inventory change memorandum and enters the following information into the inventory control log:
 - Date of Inventory
 - Type of Inventory: Cyclic
 - Next cyclic inventory date as scheduled by the department

If the cyclic inventory completes the one-hundred percent annual requirement for the department, the Property Manager will update the inventory control log with this information.

Note: Department Property Officers are responsible for identifying and forwarding the Property Manager the dates of scheduled cyclic inventories before the required annual inventory deadline occurs.

Annual Inventory Procedures

All annual inventories must be scheduled. Annual inventory schedules must be sent to the Property Manager so the inventory control log can be updated. If preferred, the Department Property Officer may schedule and conduct an annual inventory when it best suits that department's workload, as long as the inventory is completed within twelve months from the date of the previous one-hundred percent accountability inventory.

The Annual Inventory procedures are as follows:

1. The Department Property Officer notifies Property Custodians of the date of the annual inventory and the procedures that will be used. Because the annual inventory is a comprehensive one-hundred percent inventory, it will

require more coordination and time to accomplish. Department Property Officer's should schedule annual inventories accordingly.

2. The Department Property Officer provides an inventory printout for the items to be inventoried to each respective custodian.
3. The Department Property Officer freezes property transactions department-wide while the annual inventory is occurring. All pending transactions are placed in a hold file and processed after the inventory is finished.

Note: An exception can be made for departments that would experience a hardship due to freezing property transactions. Department Property Officers are responsible for requesting an exception. Requests are made by sending a memo to the Property Manager requesting that property transactions continue to be processed during the annual inventory process and details explaining why a hardship would occur if property transactions were froze during the annual inventory process.

4. The Property Custodians make arrangements with their respective sections to ensure that responsible individuals will be available for the inventory as scheduled.
5. The Property Custodians check each item against the inventory list.
 - 5.1 Property Custodians will look for the item's Property Control Number, or manufacturer's serial number. The Property Control Number and/or serial number of each property item will be compared against the inventory listing. Property Control Numbers and serial numbers of property items must match the Property Control Numbers and serial numbers listed in the Property Control System. When an item does not have a Property Control Number, often it will be listed by serial number. If the property item's identifying numbers match, place a check mark beside the item on the inventory list. Note any changes to condition or serviceability (broken, missing parts, damaged, etc.) of property items inventoried.
 - 5.2 If the item is not identified on the inventory list, note what the item is, its Property Control Number, serial number, make, model, general condition, and location. You will have to check later to see if it is a loaned or newly acquired item. It may also be a component of a set and the set was listed as a different item.
 - 5.3 The Property Custodian may find an item that does not have a Property Control Number decal or etching, but he/she thinks that it should. The Property Custodian simply enters the item on the inventory list with complete description and annotates "Property Control Number Required."

The Department Property Officer will determine whether or not the item requires a Property Control Number.

5.4 If the item cannot be found, enter “Missing” beside the item on the inventory list. Check with the responsible individual to see if the item was transferred or turned in. Later you will need to do a search for the item.

5.5 Move to the next item on the list and repeat the process. Continue this procedure until all items on the list have been inventoried.

Note: Property Custodians should complete a hand receipt for assigned property down to the primary user’s level.

6. Once the physical inventory is completed, the Property Custodian must report any changes. A memorandum is used to report any inventory changes to the Department Property Officer, such as, additions, deletions, damaged, or missing items. The memorandum must include the following information:

- Date of Inventory
- Name of Responsible Individual
- Type of Inventory: Annual
- Copy of annotated inventory listing
- For each item reported:
 - Type Change (Addition, Deletion, Damaged, Missing, etc.)
 - Item Name
 - PCN (if none, state “none”)
 - Serial Number (if none, state “none”)
 - Make & Model
 - Location

- Condition: (Z) unknown, (X) scrap, (S) salvage, (P) poor, (G) good, (E) excellent, (N) new
 - Date of Purchase (for newly procured items)
 - Value (for newly procured items)
7. If the inventory is completed and no changes are necessary (one-hundred percent accountability achieved), the Property Custodian forwards a memorandum to the Department Property Officer that contains the following:
 - Date of Inventory
 - Type of Inventory: Annual
 - Result: 100%
 - Changes: None.
 8. If there are any missing or damaged items, the Property Custodian must initiate a Form 02-627 Lost-Stolen-Damaged Property Review.
 9. The Department Property Officer reviews the inventory change memorandum.
 - 9.1 The Department Property Officer checks to see if all items on the inventory listing have been annotated.
 - 9.2 If the phrase "Property Control Number Required" appears on the listing, the Department Property Officer determines if the item(s) require Property Control Number decals and responds accordingly.
 - 9.3 The Department Property Officer ensures that all changes are entered into the departments inventory as required.
 10. The Department Property Officer notes any missing or damaged items and ensures that the Property Custodian has initiated a Form 02-627 Lost-Stolen-Damaged Property Review.

10.1 The Department Property Officer retains the inventory change memorandum and copy of annotated inventory listing, and forwards a copy to the Property Custodian, and e-mails a copy to the Property Manager. The Department Property Officer also provides a copy of the final inventory results to each respective Division Director.

11. The Property Manager reviews the completed inventory change memorandum and enters the following information into the inventory control log:

- Date of Inventory
- Type of Inventory: Annual
- Next annual inventory date as scheduled by the department

Note: Department Property Officers are responsible for identifying and forwarding the Property Manager the dates of scheduled annual inventories before the required annual inventory deadline occurs.

After the Inventory

Once an inventory is finished, the work has not stopped for the Department Property Officer and Property Custodian(s). Normally, several things need to be addressed: excess, damaged, or missing items, and physical security.

Excess Items

The Property Custodian identifies any excess property discovered during the inventory for possible turn-in or transfer. Excess property is property that is above current or projected needs. The Property Custodian initiates a Form 02-622 Inter-Departmental Property Transfer Authorization and Report listing the excess property and forwards the form to the Department Property Officer.

1. The Department Property Officer determines whether or not the reported excess can be used within the department to offset any known shortages.
2. If shortages exist, the Department Property Officer will direct an intra-departmental transfer of the items.
3. If the excess is not suitable to fill existing departmental shortages, the Department Property Officer forwards the Form 02-622 Inter-Departmental

Property Transfer Authorization and Report to the Property Manager for final disposition.

Damaged or Missing Items

The Property Custodian identifies any damaged items or missing items discovered during the inventory on a Form 02-627 Lost-Stolen-Damaged Property Review.

1. The Property Custodian conducts an informal investigation regarding the damaged or missing item. The basic who, what, when, where, and how, should be explained.
2. If any damaged items are economically repairable, the Property Custodian coordinates with the responsible individual for its repair. Items that cannot be repaired are reported to the Department Property Officer on a Form 02-610 Property Salvage/Destruction Request. After receiving the required approval signatures/dates, the Department Property Officer forwards the Form 02-610 Property Salvage/Destruction Request to the Property Manager for final disposition.

Physical Security

During the inventory, the Property Custodian may note shortcomings in physical security procedures. Poor physical security may have contributed to a loss to inventory by damage or theft. The Property Custodian should identify any physical security concerns to the responsible individual, the individual's immediate supervisor, and the Department Property Officer. The Department Property Officer is responsible for educating supervisors and Property Custodians on good physical security practices.

Property Management Office Points of Contact

Policy, Procedures, Training, and Suggestions:

Property Manager

Chris Brooks

Phone: (907) 754-3403

Fax: (907) 754-3407

Email: christopher.brooks@alaska.gov

State Inventory and Property Control System:

Property Manager

Chris Brooks

Phone: (907) 754-3403

Fax: (907) 754-3407

Email: christopher.brooks@alaska.gov

Status of Payment, Surplus Sales, and other PMO-Related Accounting Issues/Questions:

Accounting Technician I

Tiffany Ellington

Phone: (907) 754-3400

Fax: (907) 754-3407

Email: tiffany.ellington@alaska.gov

Federal Surplus Property Program:

Federal Property Allocation Officer / Procurement Specialist III

Charlie Summerfield

Phone: (907) 754-3405

Fax: (907) 754-3407

Email: charlie.summerfield@alaska.gov

Procurement Specialist I

Matthew Moore

Phone: (907) 754-3406

Fax: (907) 754-3407

Email: matthew.moore@alaska.gov

Anchorage Surplus Warehouse:

Stock & Parts Services Sub-Journey

Silvio Mazzella

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Procurement Specialist I

Matthew Moore

Phone: (907) 754-3406

Fax: (907) 754-3407

Email: matthew.moore@alaska.gov

Juneau Surplus Warehouse:

Stock & Parts Services Journey II

Jeff Campbell

Phone: (907) 465-2172

Fax: (907) 465-2296

Email: jeff.campbell@alaska.gov

Where to Obtain Property Forms and Property Control Number Decals

Property Forms

Department Property Officers are responsible for obtaining property transaction forms for their department. Property transaction forms must be ordered from Division of General Services, Property Management Office. To place an order for property transaction forms, complete a Forms Stock Release form (02-591) and forward the form to the Property Management Office in Anchorage. Pricing for property transaction forms can be obtained from the "Property Forms Catalog" link which is available on the Division of General Services, Property website at the following web address:

<http://doa.alaska.gov/dgs/property/>

Note: The use of electronic property forms is permitted providing no changes are made to the content of mandatory use forms. Departments are responsible for assigning the numbers used on electronic property forms. Electronic copies of the mandatory-use forms can be downloaded from "Property Forms (Electronic)" link which is available on the Division of General Services, Property website at the following web address:

<http://doa.alaska.gov/dgs/property/>

Property Control Number Decals

Department Property Officers are responsible for obtaining Property Control Number decals for their department. Property decals must be ordered from Division of General Services, Property Management Office. To place an order for property decals, complete a Forms Stock Release form (02-591) and forward the form to the Property Management Office in Anchorage. Pricing for property decals can be obtained from the "Property Forms Catalog" which is available on the Division of General Services, Property website at the following web address:

<http://doa.alaska.gov/dgs/property/>

End of Physical Inventory Procedures Guide